

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8383

UNCLAS NEW DELHI 13627

FOR NEA/INS J. GRAHAME

E.O. 11652: N/A

TAGS: BTIO IN

SUBJECT: RESTRUCTURING OF DRUG INDUSTRY

REF: YOUR LETTER OF 9 SEPTEMBER 1976

1. REF YOUR LETTER, "ECONOMIC TIMES" DATED SEPTEMBER 15 CARRIED ARTICLE WRITTEN BY THEIR SPECIAL CORRESPONDENT ENTITLED "RESTRUCTURING OF DRUG INDUSTRY - MAJOR DECISIONS BY MONTH-END LIKELY".

2. KEY POINTS OF ARTICLE ARE:

A. "MAJOR DECISIONS ON VARIOUS ASPECTS OF THE DRUG INDUSTRY INCLUDING PRICES, PRODUCTION AND DILUTION OF EQUITY OF MULTI-NATIONAL FIRMS ARE EXPECTED TO BE TAKEN THIS MONTH.

B. THE PROPOSALS OF THE MINISTRY OF CHEMICALS AND FERTILISERS IN THIS REGARD ARE NOW BEFORE A CABINET COMMITTEE, WHICH MAY MEET SHORTLY TO TAKE POLICY DECISIONS ON THESE CRUCIAL ISSUES.

C. SINCE APRIL LAST YEAR 52 LICENCES OR LETTERS OF INTENT HAVE BEEN ISSUED TO DRUG FIRMS HAVING LESS THAN 40 PERCENT FOREIGN EQUITY WHILE THE NUMBER OF LICENCES OR LETTERS OF INTENT ISSUED TO FIRMS WITH MORE THAN 40 PERCENT EQUITY HAVE BEEN ONLY 16 SO FAR.

D. THE AREA OF DEVELOPMENT OF THE THREE MAIN SECTORS OF THE INDUSTRY -- THE STATE SECTOR, THE NATIONAL PRIVATE SECTOR AND THE

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FOREIGN SECTOR HAVE BEEN IDENTIFIED AND THEIR PRODUCTION PROGRAMME

CHARTED TO ENSURE REGULATED DEVELOPMENT OF THE INDUSTRY.

E. BASICALLY, ESSENTIAL DRUGS, SPECIALLY ANTIBIOTICS CONSIDERED VITAL FOR THE COUNTRY'S HEALTH PROGRAMME, HAVE BEEN ENTRUSTED TO THE PUBLIC SECTOR. THUS FURTHER EXPANSION FOR PENICILLIN, STREPTOMYCIN, OXTETRACYCLINE, AND ERYTHROMYCIN IS PROPOSED TO BE RESTRICTED TO THE PUBLIC SECTOR.

F. THE NATIONAL PRIVATE SECTOR IS EXPECTED TO FUNCTION IN AREAS WHERE TECHNOLOGY MAY BE AVAILABLE AND THE INDIAN SECTOR CAN ORGANIZE TECHNOLOGICAL AND FINANCIAL RESOURCES. EXPANSION IN FUTURE FOR THE MANUFACTURE OF IODO-CHLOROXY-QUINOLINE, DIETHYL CARBAMAZINE CITRATE, DIETHYL ETHER, ETHYL CHLORIDE, AMITRYPTILENCE, THIACETAZONE, PARACETAMOL AND EMETINE WOULD BE PREFERABLY THROUGH THE NATIONAL PRIVATE SECTOR.

G. ONLY IN SUCH AREAS WHERE SOPHISTICATED TECHNOLOGY AND HEAVY INVESTMENTS MAY BE INVOLVED, THE FOREIGN SECTOR WILL BE ALLOWED TO OPERATE ALONG WITH THE INDIAN SECTOR.

H. APART FROM ENCOURAGING THE PUBLIC SECTOR WHICH IS TO ASSUME THE LEADERSHIP ROLE, THE INDIAN SECTOR COMPANIES ARE BEING ENCOURAGED THROUGH A LIBERAL LICENSING POLICY. WHILE CONSIDERING APPLICATIONS FOR INDUSTRIAL LICENCES FOR INDIAN FIRMS FOR THE MANUFACTURE OF FORMULATIONS, THE PRODUCTION OF FORMULATIONS IS NOT LINKED TO BULK DRUG PRODUCTION PROVIDED THE BULK PRODUCTION TO FORMULATIONS RATIO OF ONE:TEN IS MAINTAINED.

I. IN CONTRAST, FOREIGN FIRMS ARE NOT GRANTED LICENCES UNLESS THE BULK DRUGS PROVIDING THE BASE FOR THEIR FORMULATIONS ARE ALSO MANUFACTURED BY THEM. ALSO THE FOREIGN FIRMS HAVE TO SELL 50 PERCENT OF THEIR BULK DRUGS PRODUCTION TO NON-ASSOCIATED FORMULATORS, WHENEVER MANUFACTURE OF BULK DRUG IS ALLOWED TO THEM."

3. FULL TEXT OF ARTICLE IS BEING POUCHED.

4. COMMENT: WE HAVE NO INDICATION YET THAT GOI WILL EFFECT POLICIES DISCUSSED IN ARTICLE, BUT WE BELIEVE ARTICLE IS ACCURATE
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IN DESCRIBING THE PROPOSALS BEING CONSIDERED BY GOI.SAXBE

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